

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 NEA-09 ISO-00 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 PA-01 PRS-01 USIA-06 /107 W

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R 031515Z FEB 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 7835

INFO AMEMBASSY ALGIERS

AMEMBASSY LONDON

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ENRG, BEXP, BMEP, NI, US

SUBJECT: LNG: NIGERIA PICKS SHELL-BP AND PHILLIPS/AGIP

REF: LAGOS 10788 NOTAL

BEGIN UNCLASSIFIED

1. NIGERIAN COMMISSIONER OF MINES AND POWER MONGUNO TOLD THE PRESS FEBRUARY 1 THAT THE FMG HAS APPROVED THE ESTABLISHMENT OF TWO LIQUEFIED NATURAL GAS/LIQUEFIED PETROLEUM GAS (LNG/LPG) PLANTS WITH CAPACITY OF ONE BILLION STANDARD CUBIC FEET PER DAY (SCFD) EACH. ONE WOULD BE BUILT AT BONNY (RIVERS STATE) AND WOULD HAVE SHELL-BP AS THE GOVERNMENT'S PARTNER. THE OTHER WOULD BE BUILT ON THE SOUTHERN BANK OF THE ESCRAVOS RIVER (MID-WEST STATE), WOULD INCORPORATE AN ETHYLENE COMPLEX, AND WOULD HAVE PHILLIPS/AGIP AS PARTNER.

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2. ACCORDING TO PRESS REPORTS, THE FMG WOULD HAVE 60 PERCENT PARTICIPATION IN EACH PLANT AND 50 PERCENT IN THE LNG TANKER FLEET. THE GOVERNMENT WOULD ESTABLISH, OWN, AND OPERATE AN INTEGRATED GAS GATHERING COMPANY TO SERVE ALL GAS PROJECTS. THE COMMISSIONER IS QUOTED AS SAYING THAT HIS MINISTRY WAS WILLING TO NEGOTIATE "WITH SERIOUS PROSPECTIVE BUYERS OF THE GOVERNMENT'S 60 PERCENT SHARE OF THE PROJECTS (PRODUCTS?) OF THE TWO PLANTS."

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3. EMBASSY UNDERSTANDS THE NEW FEDERAL EXECUTIVE COUNCIL (FEC) DISCUSSED LNG AT ITS MEETING JANUARY 29 AND AUTHORIZED MINISTRY OF MINES AND POWER TO UNDERTAKE NEGOTIATIONS WITH SHELL-BP AND PHILLIPS/AGIP. LATTER WAS INVITED NEXT DAY TO BEGIN NEGOTIATIONS FEBRUARY 10. SHELL-BP HAS PRESUMABLY BEEN INVITED DO SAME ON OR ABOUT SAME DATE.

4. ACCORDING PHILLIPS MANAGER, PUBLIC ANNOUNCEMENT WAS UNEXPECTED AND CONTAINS NUMBER OF DETAILS, E.G. PERCENT GOVERNMENT PARTICIPATION, PLANT SITE, INCORPORATION OF ETHYLENE, OPERATION OF GATHERING SYSTEM, AND MARKETING ARRANGEMENTS FOR GOVERNMENT'S SHARE, WHICH HAVE NOT YET BEEN DISCUSSED WITH COMPANIES.
REINHARDT

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Margaret P. Grafeld
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